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The Origins of the Interventionist State in France, 1830–1870*

The Revolution of 1789 presaged a renewal of economic interventionism on the part of the French state. With the assault on the Church, the state assumed increasing responsibility for poor relief, and it continued the commitment to public works that had existed under the *Ancien Régime*. The Revolutionary regimes of the 1790s, however, lacked the means to fulfil the economic responsibilities they envisioned for the state. The overhaul of the tax system after 1789 starved local government of resources. The central government, too, struggled to raise money, as its attempts to meet the costs of European war in the 1790s exacerbated an inflationary crisis. The Napoleonic regime established in 1799, though it did much to develop the legal framework of the interventionist state, also found its resources consumed by the escalating costs of the 'total wars' of 1792–1815.[1] Not until the late 1830s did government spending on public works begin seriously to increase.

It is the contention of this article that the July Monarchy of 1830 to 1848, often neglected by historians, marked a new stage in the development of the interventionist state that has been a persistent characteristic of French economic history. Historians have tended to regard the July Monarchy as the most '*laissez-faire*' and Anglophile of France's nineteenth-century regimes, and thus as the most committed to the notion of a limited, 'liberal' state.[2] Yet even in nineteenth-century Britain and the United States, supposedly paragons of *laissez-*

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[1] See J. Horn, *The Path Not Taken: French Industrialization in the Age of Revolution* (Cambridge, MA, 2006); D.A. Bell, *The First Total War: Napoleon's Europe and the Birth of Modern Warfare* (London, 2007).
[2] See, for example, G.P. Palmade, *Capitalisme et capitalistes français au XIX^e siècle* (Paris, 1961), pp. 106–20, 129.

faire, the state retained a crucial role in regulating and shaping the market.[3] Taxation, the law and political institutions all affected economic activity. Indeed, the *laissez-faire* British were more heavily taxed than the French for most of the nineteenth century.[4] Moreover, as Patrick O'Brien and Caglar Keyder have suggested, it is 'not at all obvious that the path of economic development taken by France from 1780 to 1914 was inferior to the vaunted British model'; the *per capita* growth rate of commodity output in both countries was quite similar throughout the nineteenth century.[5] Thus, the economic consequences of French state activity may need to be reappraised. As François Jarrige has observed, the notion of an overbearing French state stifling economic development with excessive bureaucracy, taxes and regulation is largely a myth.[6] A recent revision of *Ancien Régime* interventionism has argued that it was not necessarily either oppressive or counterproductive;[7] and, while the sluggish growth of the late nineteenth century did coincide with a period of rising state intervention, the ascent of the interventionist Orleanist state in the 1830s and 1840s occurred during a period of above-average economic growth.[8] Indeed, this economic expansion, and the social transformation that ensued, made the 1840s, in David Pinkney's words, 'decisive years in France'.[9]

Recent work on trade has challenged the notion of a 'liberal' Orleanist regime that held aloof from economic affairs, emphasising the growth of protectionism from the mid-

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[3] M. Daunton, *State and Market in Victorian Britain: War, Welfare and Capitalism* (Woodbridge, 2008), esp. pp. 4–6; J. Taylor, *Creating Capitalism: Joint-Stock Enterprise in British Politics and Culture, 1800–1870* (London, 2006); W.J. Novak, *The People's Welfare: Law and Regulation in Nineteenth-Century America* (Chapel Hill, NC, 1996), pp. 83–113.

[4] A. Plessis, 'L'Impôt des français au XIXe siècle, remplacé dans une perspective européenne', in M. Lévy-Leboyer, M. Lescure and A. Plessis, eds., *L'Impôt en France aux XIXe et XXe siècles* (Paris, 2006), p. 24.

[5] P. O'Brien and C. Keyder, *Economic Growth in Britain and France, 1780–1914: Two Paths to the Twentieth Century* (London, 1978), p. 196.

[6] E. Fureix and F. Jarrige, *La Modernité désenchantée: Relire l'histoire du XIXe siècle français* (Paris, 2015), pp. 295–6. For a typical summary of the economic drag supposedly caused by the French state see, for example, R. Cameron, 'Economic Growth and Stagnation in France, 1815–1914', in B.E. Supple, ed., *The Experience of Economic Growth: Case Studies in Economic History* (New York, 1963), pp. 336–8.

[7] P. Minard, *La Fortune du colbertisme: État et industrie dans la France des lumières* (Paris, 1998).

[8] F. Crouzet, 'French Economic Growth in the Nineteenth Century Reconsidered', *History*, lix (1974), pp. 170–71; H. Sée, *La Vie économique de la France sous la monarchie censitaire (1815–1848)* (Paris, 1927), pp. 32–43, 67–70. For a critique of the argument that the state hindered growth at the end of the century, see M. Lévy-Leboyer and F. Bourguignon, *L'Économie française au XIXe siècle: Analyse macro-économique* (Paris, 1985), pp. 81–91.

[9] D.H. Pinkney, *Decisive Years in France, 1840–1847* (Princeton, NJ, 1986).

1830s onwards.[10] However, the most striking form of state interventionism was a wave of government spending and new regulation directed at public works, particularly railways, which historians have tended to disregard. While scholars such as Louis Fontvieille and Pierre Rosanvallon have noted the 'massive assistance' and 'decisive impulsion' the July Monarchy gave to railway construction, this was more original than they suggest.[11] Analysing the justifications given for the Orleanist state's interventionism, Rosanvallon claims that in scope it largely reflected that of the *Ancien Régime*. This, however, does not do justice to the scale of the Orleanist state's public works spending, which markedly exceeded that of previous regimes (fig. 1). That the state could find the means to raise railway expenditure to such a level was all the more impressive in the light of the growth of military spending in the 1840s, not least because of the costs of conquering Algeria. As a result, central government expenditure increased in real terms by 51 per cent between 1830 and 1847 (fig. 2)—though, given economic growth, this remained at around 10 per cent of GDP.[12]

[INSERT FIGURES 1 AND 2 HERE]

As Rosanvallon's analysis suggests, historians have not fully appreciated the innovative quality of Orleanist public spending, seeing the regime as largely continuing the limited interventionism of its Restoration predecessor. Surveying the period 1815–1848, Tom Kemp has concluded that '[French] government policy was narrow and parsimonious ... Government did not promote economic growth, but through sound finance and protection kept it within narrowly defined limits.'[13] Historians of Belgium and, to a lesser extent, of German states such as Prussia and Saxony have detected a trend of rising state

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[10] D. Todd, *Free Trade and Its Enemies in France, 1814–1851* (Cambridge, 2015).
[11] L. Fontvieille, *Évolution et croissance de l'État Français: 1815–1969* (Paris, 1976), p. 1685; P. Rosanvallon, *L'État en France de 1789 à nos jours* (Paris, 1990), pp. 219–21.
[12] *Proposition de loi pour le règlement définitif du budget de l'exercice 1830* (Paris, 1832); *Projet de loi portant règlement définitif du budget de l'exercice 1847* (Paris, 1849); J.-C. Toutain, 'Le produit intérieur brut de la France, 1789–1990', *Économies et Sociétés*, series *Histoire économique quantitative* (1997), pp. 5–136.
[13] T. Kemp, *Economic Forces in French History* (London, 1971), p. 134.

interventionism to promote economic development from the 1830s onwards, even if in Prussia politics restrained the growth of public expenditure until after 1848.[14] But historians of France have often adopted a different chronology. Several accounts of the modern French state's economic interventionism only begin in the late nineteenth century.[15] For Kemp and others, the Second Empire, established in 1852, did much to instigate the interventionism of the post-Napoleonic French state, which was spurred by the advent of universal suffrage in 1848.[16] Indeed, for some scholars, the socio-economic transformation produced by the growth of industrial capitalism in the 1850s and 1860s marked 'the birth of modern France'.[17] Christopher Clark has recently applied a similar chronology to Europe more generally, arguing that the 1848 revolutions prompted a series of political, constitutional and administrative reforms across the continent—a 'European revolution in government'—which entailed greater economic interventionism.[18]

In reappraising the political economy of the July Monarchy, this article will highlight the similarities in economic policy between the July Monarchy and the Second Empire: the Bonapartist regime was less innovative than historians have suggested. Both regimes pursued

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[14] R. Tilly, 'The Political Economy of Public Finance and the Industrialization of Prussia, 1815–1866', *Journal of Economic History*, xxvi (1966), pp. 484–97; J.M Brophy, *Capitalism, Politics and Railroads in Prussia, 1830–1870* (Columbus, OH, 1998), pp. 36–49; E.D. Brose, 'The Political Economy of Early Industrialisation in German Europe, 1800–1840', in J. Horn, L.N. Rosenbrand and M.R. Smith, eds., *Reconceptualizing the Industrial Revolution* (Cambridge, MA, 2010), pp. 107–23; P. Schöller, 'La Transformation économique de la Belgique de 1832 à 1844', *Bulletin de l'Institut des Recherches Économiques et Sociales*, xiv, no. 3/5 (1948), pp. 525–96; E. Witte, 'La Construction de la Belgique (1828–1847)', in E. Witte, É. Gubin, J.-P. Nandrin and G. Deneckere, *Nouvelle histoire de la Belgique*, I: *1830–1905* (Brussels, 2005), pp. 125–44.

[15] See, for example, R. Delorme and C. André, *L'État et l'économie: Un essai d'explication de l'évolution des dépenses publiques en France (1870–1980)* (Paris, 1983); P. Fridenson and A. Straus, eds., *Le Capitalisme français 19e–20e siècle: Blocages et dynamismes d'une croissance* (Paris, 1987). Adeline Daumard has conceived the period 1815–1880 as one of a 'liberal' state in France, largely content to regulate the economy through the law instead of engaging in more overt intervention: A. Daumard, 'L'État libéral et le libéralisme économique', in P. Léon, M. Lévy-Leboyer, A. Armengaud et al., *Histoire économique et sociale de la France*, III: *L'avènement de l'ère industrielle (1789–années 1880)* (2 vols, Paris, 1976), i. 137–59.

[16] Kemp, *Economic Forces in French History*, pp. 155–216; Palmade, *Capitalisme et capitalistes*, pp. 128–31; A. Gueslin, *L'État, l'économie et la société française, XIXe–XXe siècle* (Paris, 1992), pp. 78–9; X. Lafrance, *The Making of Capitalism in France: Class Structures, Economic Development, the State and the Formation of the French Working Class* (Leiden, 2019).

[17] A. Plessis, *The Rise and Fall of the Second Empire, 1852–1871*, tr. J. Mandelbaum (Cambridge, 1987), p. 58; A. Dansette, *Naissance de la France moderne: Le Second Empire* (Paris, 1976).

[18] C. Clark, 'After 1848: The European Revolution in Government', *Transactions of the Royal Historical Society*, 6th ser., xxii (2012), pp. 171–97.

similar visions of economic interventionism, though, as we shall see, the Second Empire in the 1850s relied more on private finance to undertake public works than on the model of state expenditure developed under the July Monarchy. Following René Rémond's influential tripartite conception of the French right, scholars have typically seen Orleanism and Bonapartism as divergent traditions—the former supposedly invested in *laissez-faire* and the latter committed to state action—but this divergence is not apparent in political economy.[19] The growth of government expenditure on railways was supported by leading Orleanist politicians who, despite historians' claims to the contrary, were as committed as their Bonapartist successors to the interventionist state. The similarity between the Orleanists and Bonapartists, and the novelty of the July Monarchy's interventionism, is thrown into sharper relief by comparison with the Restoration regime of 1815–1830. It is with the Restoration, therefore, that we begin, before turning to the Orleanist state itself and then finally to its Bonapartist successor.

I

The system of public credit that facilitated the emergence of a more interventionist state from the late 1830s was a creation of the Restoration. Under Napoleon, public credit was limited; while the Empire sought to maintain the price of government *rentes*, capital flight during the 1790s had left the financial system fragile.[20] Napoleonic finance, therefore, had relied heavily on plundering conquered territories, which, between 1802 and 1814, covered 41 per cent of the French budget.[21] Napoleon's defeat ended French access to these resources, and, in order to finance the reparations imposed by the victorious allies, the French government borrowed,

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[19] R. Rémond, *La Droite en France de la première Restauration à la Ve République* (3rd edn, 2 vols, Paris, 1967), vol. i, esp. pp. 105–8.
[20] P. Branda, *Le Prix de la gloire: Napoléon et l'argent* (Paris, 2007), pp. 373–89.
[21] P. Branda, 'La Guerre a-t-elle payé la guerre?', in T. Lentz, ed., *Napoléon et l'Europe: Regards sur une politique* (Paris, 2005), pp. 270–71.

thus founding a new system of public credit.[22] As in Britain, bankers were invited to bid for government loans and the *rentes* were sold to the highest bidder, who then floated them to investors.

The principles that governed the management of this system of public credit reflected a distinct British influence. The *Ancien Régime* had collapsed under the weight of its debt, which had contributed to financial chaos in the 1790s. The success of British wartime borrowing from 1792 to 1815 offered a reminder of the potential value of an effective system of public credit, but at the same time the memory of the Revolution pushed elites towards fiscal probity. Consequently, public debt was to be kept minimal; as Jacques Laffitte, the banker and politician, put it in his memoirs, 'The first means of credit, and perhaps the most effective, consists of reducing a large deficit'.[23] Aside from the loans to finance the reparations, Restoration governments borrowed principally to finance an aggressive foreign policy in the 1820s, as the French intervened militarily in Spain, Greece and Algeria. In this way, debt allowed the government to increase spending without having to raise taxes—in contrast to Napoleon, whose tax increases had compromised the legitimacy of the Empire.[24] British-style public borrowing, therefore, facilitated the stabilisation of the fiscal system after 1815.

Given the commitment to fiscal equilibrium during the Restoration, government expenditure on public works was limited. Being focused on the military, the Napoleonic regime had spent relatively little on infrastructure; by 1814, France's roads and canals were

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[22] B. Gille, *La Banque et le crédit en France de 1815 à 1848* (Paris, 1959), pp. 161–71; J. Greenfield, 'Financing a New Order: The Payment of Reparations by Restoration France, 1817–1818', *French History*, xxx (2016), pp. 376–400. See also M. Flandreau and J.H. Flores, 'Bonds and Brands: Foundations of Sovereign Debt Markets, 1820–1830', *Journal of Economic History*, lxix (2009), pp. 646–84.

[23] Jacques Laffitte, *Souvenirs de J. Laffitte: Racontés par lui-même et puisés aux sources les plus authentiques* (3 vols, Paris, 1844), i. 254.

[24] Branda, *Le Prix de la gloire*, pp. 364–72; M. Bruguière, *La Première Restauration et son budget* (Geneva, 1969), pp. 53–61.

in serious need of investment.[25] To minimise the borrowing required to fund public works, the government in the 1820s turned to private finance, leasing a series of canal concessions to companies of bankers. Even this was done on a limited scale. Laffitte, the architect of France's initial experiments in joint-stock finance, had proposed in 1821 to establish a vast joint-stock company to finance the construction of the French canal network, capitalised at 250 million francs—an unprecedented size. Doubtful that this scheme would work, and hoping to maintain competition between bankers, the government rejected the proposal.[26] Moreover, as the interior minister observed in 1825, 'Every day reveals ... the validity of the reasons that induced the Administration to proceed at first with caution, and not to deploy instantly too great an apparatus of works. If it had suddenly offered speculators a considerable array of enterprises, it would have inevitably produced an increase in the costs of salaries and raw materials, the effects of which would also be felt in the transactions of individuals.'[27] More to the point, higher costs would have increased the burden on the state which, in order to secure the financiers' participation, was to cover expenses that exceeded the sums originally agreed with the concessionaires.[28] The scope of public works was therefore restricted to minimise any detrimental effect they might have on the economy, which also mitigated the level of government investment required.

Despite the limited ambitions of the Restoration state, the government was criticised for not dismantling the Napoleonic Leviathan of bureaucrats and state regulation. In the late 1820s, economic liberalism became fashionable among some prominent opponents of the regime, who invoked it in their agitation for a smaller state. Thus, the July Monarchy was

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[25] F. Démier, *La France de la Restauration, 1814–1830: L'Impossible retour du passé* (Paris, 2012), pp. 348–50.
[26] Gille, *La Banque et le crédit*, pp. 109–10.
[27] Jacques-Joseph-Guillaume-Pierre de Corbière, *Rapport au roi sur la situation, au 31 mars 1825, des canaux* (Paris, 1825), p. 6.
[28] G. Nieradzik, 'La Construction du réseau de canaux français et son financement boursier (1821–1868)', in G. Gallais-Hamonno and P.-C. Hautcoeur, eds., *Le Marché financier français au XIX*[e] *siècle* (2 vols, Paris, 2007), ii. 459–506.

established during the 1830 revolution amid pressure for 'un gouvernement à bon marché'—cheaper government. The Orleanists, however, contented themselves with a series of minor reforms in the 1830s, which did little to restructure the state as such members of the liberal opposition of the 1820s had advocated.[29] Indeed, the growth of public spending from the late 1830s disregarded the preference of economic liberals for a smaller state that would entail a minimal infringement of liberty and reduce the taxes that deprived individuals of the means to further their own prosperity. For such liberals, public works were best left to the private sector.[30]

II

The Orleanist state was a 'liberal' one, but nonetheless rejected these inhibitions. In 1831, the ministry of commerce was overhauled, an indication of the regime's willingness to intervene in the economy.[31] Meanwhile, inquiries assessing the 'public utility' of proposed public works, having already developed during the Restoration, proliferated in the early 1830s.[32] By the end of the decade, public works were starting to be undertaken on a much greater scale, and with a much greater financial commitment from the government than during the Restoration. In part, this reflected the rise of the 'social question'—the fear of a growing, dispossessed and potentially subversive underclass of the poor and unemployed.[33] This was no small concern for a regime born of revolution, and which itself faced a series of revolutionary uprisings in the 1830s. Indeed, the minister of public works, noted the holder of

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[29] See P. Harismendy, ed., *La France des années 1830 et l'esprit de réforme* (Rennes, 2006).
[30] F. Démier, 'Économistes libéraux et "services publics" dans la France du premier XIX[e] siècle', *Revue d'histoire moderne et contemporaine*, lii, no. 3 (2005), pp. 33–50.
[31] Todd, *Free Trade and Its Enemies*, p. 95.
[32] F. Graber, 'Enquêtes publiques, 1820–1830: Définir l'utilité publique pour justifier le sacrifice dans un monde de projets', *Revue d'histoire moderne et contemporaine*, lxiii, no. 3 (2016), pp. 31–63.
[33] On the 'social question', see L. Chevalier, *Classes laborieuses et classes dangereuses à Paris pendant la première moitié du XIX[e] siècle* (Paris, 1958); G. Procacci, *Gouverner la misère: La Question sociale en France (1789–1848)* (Paris, 1993).

the office in 1840, 'in the time in which we live, is the dispenser of grace'.[34] The population of Paris grew sharply under the July Monarchy, rising from 861,436 in 1831 to 1,226,980 in 1846, no doubt exacerbating social problems in the city.[35] During the Restoration, the municipality had pursued limited public works and a balanced budget.[36] In the 1830s, it began to respond to the growth in population with new public works, benefiting from the assistance of the central government. In 1833, Adolphe Thiers, minister of commerce and public works, and one of the architects of the interventionist state, secured the passage of the *loi des cent millions*—100 million francs for public works, 24 million of which went to Paris. In 1837, the municipality augmented its resources with a loan.[37] Public spaces and markets were remodelled, and monuments were erected to glorify the regime; the Arc de Triomphe was completed in 1836, as was the Colonne de Juillet in 1840. Meanwhile, in response to both population growth and a cholera epidemic in 1832, sanitation was greatly improved. Whereas only 15,000 metres of sewers were built between 1814 and 1830, from 1832 to 1840, 62,682 metres were constructed, falling to 27,321 metres in 1841–47 as the municipal budget was redirected towards other building projects.[38] The state's greater involvement in construction in Paris arose partly from the fortification of the city between 1841 and 1844, following an international crisis in 1840. Like other public works, the fortifications may have drawn migrants into the city in search of employment, though this is difficult to know for certain. Still, the growth of the population was one reason for fortifying the city in the first

[34] Paris, Bibliothèque nationale de France, Thiers MSS, Nouvelles acquisitions françaises, 20611, fo. 12, Hippolyte François Jaubert to Adolphe Thiers, 19 Aug. 1840.
[35] L. Chevalier, *La Formation de la population parisienne au XIX^e siècle* (Paris, 1950), p. 40.
[36] S.W. Sawyer, 'Locating Paris: The Parisian Municipality in Revolutionary France, 1789–1852' (Univ. of Chicago Ph.D. thesis, 2008), pp. 219–22; G. Massa-Gille, *Histoire des emprunts de la ville de Paris (1814–1875)* (Paris, 1973), pp. 131–52.
[37] Massa-Gille, *Histoire des emprunts de la ville de Paris*, p. 177; M. Marion, *Histoire financière de la France depuis 1715* (6 vols, Paris, 1914–31), v. 153–4.
[38] G. de Bertier de Sauvigny, *Nouvelle histoire de Paris: La Restauration (1815–1830)* (Paris, 1977), p. 89; P. Vigier, *Nouvelle histoire de Paris: Paris pendant la monarchie de Juillet (1830–1848)* (Paris, 1991), p. 203.

place, a policy supported in some quarters as a means of facilitating military control of Paris in the event of unrest.[39]

Most of the money voted in the *loi des cent millions* was spent on canals and roads. Only 500,000 francs were for 'études' to facilitate the extension of the railway network, though railway construction eventually became the largest category of public works expenditure of the July Monarchy. Initially, the state's involvement in railway construction followed the pattern of Restoration canal building: concessions were granted to companies of bankers, who then constructed and operated the lines. Following this model, the first railway concession was granted in 1823, to run between Andrézieux and Saint-Étienne, and the line opened in 1828.[40] In 1835, the concession for the line between Paris and Saint-Germain was awarded to a company of bankers, and the financial success of the line when it opened in 1837 stimulated interest in major railway investment from the *haute banque*, the leading Paris banking houses.[41] A series of further concessions was adjudicated in 1838, and, to oversee this process and regulate the railway companies, a new ministry of public works was established—an indication, like the reform of the ministry of commerce in 1831, of the Orleanist regime's commitment to economic interventionism.

The Paris-Saint-Germain railway was a joint-stock enterprise; the capital of 5 million francs was raised through 10,000 shares of 500 francs divided between four bankers and Émile Pereire, who masterminded the operation, and who, with his brother Isaac, did much to further railway construction in the 1840s and 1850s.[42] Subsequent railway companies were funded in the same way as the Paris-Saint-Germain. In 1837, the ascent of joint-stock finance continued, as Laffitte created a *Caisse générale du commerce et de l'industrie* to provide

[39] P. O'Brien, 'L'Embastillement de Paris: The Fortification of Paris during the July Monarchy', *French Historical Studies*, ix (1975), pp. 63–82; Chevalier, *La Formation de la population parisienne*, pp. 105, 110.
[40] F. Caron, *Histoire des chemins de fer en France* (3 vols, Paris, 1997–2017), i. 84–5.
[41] B.M. Ratcliffe, 'The Origins of the Paris-St-Germain Railway', *Journal of Transport History*, i (1972), pp. 197–219.
[42] B. Gille, *Histoire de la maison Rothschild* (2 vols, Geneva, 1965–7), i. 262–3; H.M. Davies, *Emile and Isaac Pereire: Bankers, Socialists and Sephardic Jews in Nineteenth-Century France* (Manchester, 2015).

credit for industry and commerce.[43] This enterprise offered a model for undertaking public works without recourse to government money. Léon Faucher, economist and deputy of the dynastic opposition in the Chamber,[44] argued that utilising small investors to capitalise railway companies directly, instead of relying solely on the *haute banque*, meant that far greater resources could be mobilised for railway construction.[45] While Laffitte's *Caisse* was regarded suspiciously by some of the *haute banque*, many accepted the principle of joint-stock finance. David Landes demonstrated long ago the inaccuracy of the notion that the *haute banque* uniformly opposed the rise of joint-stock banking, and the same was true of the government.[46] As the *Journal des débats*, a moderate, liberal newspaper that became a *de facto* government mouthpiece in the 1840s, observed in 1838, 'the government, for its part, wants to develop in France the spirit of association, and not to constrain it ... association is both a guarantee of order and one of the most precious uses of liberty'.[47] Not only did joint-stock finance offer an invaluable means of expediting railway construction without imposing a heavy burden on government finance, it would enlarge the investing public, increasing the number of people with a stake in the social and political order (though in fact most shares remained in the hands of wealthy *notables*).[48]

From the regime's perspective, railways would facilitate prosperity and more effective government by furthering the integration of the national space and thus reinforcing the centralisation of the state. Greater prosperity would increase tax revenue, while fiscal administration would benefit from infrastructural improvements. The minister of public works noted in 1838 that the construction of a railway from Paris to the port of Le Havre,

[43] Gille, *La Banque et le crédit*, p. 114.
[44] The 'dynastic' opposition operated within the constitutional framework of the regime, in contrast to the more subversive, radical opposition.
[45] Léon Faucher, 'De la Souscription directe dans les Entreprises de travaux publics', *Revue des deux mondes*, 1 June 1838.
[46] D.S. Landes, 'Vieille banque et banque nouvelle: La Révolution financière du dix-neuvième siècle', *Revue d'histoire moderne et contemporaine*, iii (1956), pp. 204–22.
[47] *Le Journal des débats*, 16 Dec. 1838.
[48] A.-J. Tudesq, *Les Grands notables en France (1840–1849); Étude d'une psychologie sociale* (2 vols, Paris, 1964), ii. 656–60.

through which 300,000 tonnes of raw cotton and other colonial goods were imported annually, would expedite the transport of 'necessary exotic commodities' to Paris.[49] Railways would increase the supply and thus drive down prices, potentially benefiting a broad swathe of the population and mitigating the causes of unrest. The same logic applied to grain, which had greater ramifications for public order. Indeed, the government responded to food riots in 1838–39 partly by emphasising the need for the free circulation of grain.[50] This depended on the effectiveness of infrastructure, of roads, railways and canals. Railway construction could further benefit public order by easing the movement of troops into towns and cities, should they be needed to quell dissent—as happened in Paris in June 1848.[51] Indeed, if public works risked aggravating the 'social question' by drawing more dispossessed migrants into Paris in search of employment, railways, like the fortification of the city, could ease the threat these people posed by facilitating military repression. They could also expedite the deployment of troops to protect France's borders. Moreover, they were, like the building projects in Paris, deemed necessary for the regime's international prestige. As the minister of public works noted in 1842, Britain, the United States, Belgium, the Netherlands and even 'the smallest German states' were constructing railways.[52] France could not afford to fall behind. Railways, therefore, could do much to strengthen the regime; given the instabilities that beset nineteenth-century French politics, and which were especially pronounced in the 1830s, this was no small concern.

The brief railway boom of the late 1830s ended with a financial crisis in 1839. Several companies went bankrupt; others found themselves overstretched by unexpectedly

[49] *Archives parlementaires de 1787 à 1860: Recueil complet des débats législatifs et politiques des Chambres françaises*, 2nd ser. (126 vols, 1862–1912), cxv. 512, 521 (Martin [du Nord], 15 Feb. 1838).
[50] J.A. Miller, *Mastering the Market: The State and the Grain Trade in Northern France, 1700–1860* (Cambridge, 1999), p. 282.
[51] J. Vidalenc, 'La Province et les journées de juin', *Études d'histoire moderne et contemporaine*, ii (1948), pp. 83–144, at 84, 112–13.
[52] *Le Moniteur universel*, 8 Feb. 1842 (Jean-Baptiste Teste, 7 Feb. 1842).

high costs and pressured the government for a solution.[53] Beginning with the *loi des cent millions,* the government had asserted its responsibility for railway construction in the 1830s but had not incurred major financial obligations. In 1840, this began to change, as the government lent money to several companies, and guaranteed 4 per cent dividends on the Paris–Orléans line, effective from the date on which the line became fully operational. The potential expense of this promise, though, was attacked as gifting public money to avaricious financiers and no further guarantees were offered by the Orleanist regime.[54]

The 1839 crisis had shown the inadequacy of private finance alone to construct the French railway network. In 1842, therefore, the government unveiled a new plan, proposing to contribute financially to the construction of several major trunk lines.[55] Local and central government would purchase the land, which would then be leased to the private companies that would build and operate the lines.[56] However, only a few lines were constructed in the manner outlined by the 1842 law. Local government resources were so limited that in 1845 the requirement that they contribute was rescinded.[57] Likewise, the central government's means were constrained, not least by wariness on the part of the Chamber of Peers and the Chamber of Deputies. As the *rapporteur* for the 1842 bill put it, 'the financial resources of the state are not without limits'.[58] Private finance, therefore, remained pivotal, and thus continued to determine the pace of railway construction; the 1842 law did not produce an immediate rush for concessions.[59] Still, public money stimulated private investment by reducing the liabilities railway companies faced. Public and private spending on railways

[53] Gille, *La Banque et le crédit*, pp. 337–46; Caron, *Histoire des chemins de fer*, i. 143–7.
[54] Gille, *La Banque et le crédit*, p. 222; Marion, *Histoire financière*, v. 200–203.
[55] Caron, *Histoire des chemins de fer*, i. 148–50.
[56] *Le Moniteur universel*, 8 Feb. 1842 (Teste, 7 Feb. 1842).
[57] Y. Leclercq, *Le Réseau impossible: La Résistance au système des grandes compagnies ferroviaires et la politique économique en France, 1820–1852* (Geneva, 1987), p. 187. Regarding the constraints on local government spending, see O. Conrad, *Le Conseil général du Haut-Rhin au XIX*e *siècle: Les Débuts d'une collectivité territorial et l'influence des notables dans l'administration départementale (1800–1870)* (Strasbourg, 1998), pp. 507, 516–17.
[58] Quoted in Caron, *Histoire des chemins de fer*, i. 148.
[59] Leclercq, *Le Réseau impossible*, pp. 185–6.

consequently rose in tandem, reaching a peak in 1845–46.[60] This was facilitated by a surge in British railway speculation, which was particularly intense in 1844–46.[61] Before 1841, just over 800 kilometres of concessions were adjudicated, while total railway expenditure by the government and private investors totalled 274 million francs; between 1841 and 1847, the total railway expenditure by the public and private sectors was 793 million francs, of which 618 million was spent in 1845–47.[62]

The 1842 railway law, despite the limits to its implementation, represented a new conception of the state. As Faucher observed, 'The novelty of this legislative measure, its usefulness and its importance, is that it has laid down and proclaimed the principle of union between two rival forces, between the state and private industry.'[63] A reluctance to embark on large-scale state investment in public works, apparent during the Restoration, receded. Between 1830 and 1848, the government spent 1,464,415,000 francs on public works, 818,733,970 of which arose from the laws and budgetary provisions of 1841 and 1842 (figure 1).[64] This assistance was not a free handout. The state obtained free or discounted use of the railways—for instance, for the military or the postal service, which was state-owned.[65] Companies typically had to provide a substantial surety and repay the state for any expenses it had incurred. The Compagnie du Nord, for example, which operated the concession from Paris through Lille to Calais and to the Belgian border, provided 15 million francs, 11 million of which was to reimburse the state for construction of the earthworks required for the railway.[66] Furthermore, the government, the minister of public works affirmed in 1846,

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[60] Ibid., pp. 185, 191; Y. Leclercq, 'Les Transferts financiers États-compagnies privées de chemins de fer d'intérêt général (1833–1908)', *Revue économique*, xxxiii (1982), pp. 896–924, at 899, 902–3.
[61] L.H. Jenks, *The Migration of British Capital to 1875* (London, 1927), pp. 128–9, 138–50; R.W. Kostal, *Law and English Railway Capitalism, 1825–1875* (Oxford, 1994), pp. 28–48.
[62] Caron, *Histoire des chemins de fer*, i. 147, 191.
[63] Léon Faucher, 'Des projets de loi sur les Chemins de Fer', *Revue des deux mondes*, 1 May 1843.
[64] Marion, *Histoire financière*, v. 232.
[65] Leclercq, 'Les Transferts financiers', pp. 919–21.
[66] F. Caron, *Histoire de l'exploitation d'un grand réseau: La Compagnie du Chemin de Fer du Nord, 1846–1937* (Paris, 1973), p. 51.

would 'oversee the management' of all railways benefiting from state funds.[67] Thus, following the guarantee of dividends on the Paris–Orléans line, all the company's finances were subjected to government scrutiny from 1843 onwards.[68] Meanwhile, new laws imposed extensive regulation, covering, *inter alia*, fares, routes, dividends, share issues, safety measures and the quality of the locomotives.[69] Tickets were taxed, as was the movement of goods. Most concessions, moreover, were short-term, in the range of 25–50 years.[70] This, argued Michel Chevalier, the Saint-Simonian economist, constrained private companies to such an extent that the state essentially owned the railways.[71] The July Monarchy, therefore, did not simply cater to the wishes of the 'bourgeoisie', as some historians arguing for a more *laissez-faire* Orleanist state have suggested. In offering private investors the promise of profit, the state gained significant control over a major public interest.

The close regulation of railway companies was partly designed to deflect criticism that the government was facilitating the creation of monopolies by powerful special interests. Oversight was also necessary to mitigate the moral hazard that joint-stock companies created in allowing individuals to avoid personal responsibility for their actions by undertaking them in the name of a company. Moreover, since joint-stock finance entailed the issue of new securities, regulation was intended to ease complaints that the government was encouraging speculation and stock-jobbing, which ran the risk of destabilising the market and thus the social order.[72] Regulation, though, did nothing to hinder criticism of the growth of public spending. In 1840, the Marquis d'Audiffret, a member of the Chamber of Peers and president

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[67] *Ordonnance du roi portant règlement d'administration publique sur la police, la surêté et l'exploitation des chemins de fer: loi sur la police des chemins de fer, rapport au roi* (Paris, 1846), p. 53.
[68] Law of 20 Oct. 1843: *Recueil général des lois et ordonnances*, 13th ser., XIII, pp. 377–9.
[69] See, for example, laws of 11 June 1842, 26 July 1844 and 15 July 1845: *Recueil général des lois et ordonnances*, 11th ser., XII, pp. 116–22; 13th ser., XIV, pp. 324–332, and XV, pp. 269–313.
[70] Leclercq, 'Les Transferts financiers', p. 902.
[71] J. Walch, *Michel Chevalier: Économiste saint-simonien* (Paris, 1975), p. 327.
[72] A. Stanziani, *Rules of Exchange: French Capitalism in Comparative Perspective, Eighteenth to Early Twentieth Centuries* (Cambridge, 2012), pp. 250–53; A. Lefebvre-Teillard, *La Société anonyme au XIX*[e] *siècle: Du Code de commerce à la loi de 1867, histoire d'un instrument juridique du développement capitaliste* (Paris, 1985), pp. 22–4.

of the Cour des comptes, published his *Système financier de la France*.[73] The Restoration, he argued, had stabilised the public finances after the calamities of the Revolution and the Empire, lowering taxes and borrowing responsibly. While the Orleanist regime had remained prudent in the 1830s, he claimed that the rise of government expenditure risked undermining the health of the public finances.[74] Most of the regime's elite were landowners, many of whom regarded land as heavily taxed.[75] Such men, of whom Audiffret was one, typically disliked the notion that they might have to bear a heavier fiscal burden to finance railways for the profit of a few elite bankers. Thus, many of them regarded warily the Orleanist state's growing involvement in railway finance.

III

Railways were not the only cause of rising public expenditure in the 1840s. Spending on the army and navy also grew, lending greater force to Audiffret's complaints that government expenditure was too high. The military competed for resources with public works, underlining the impressiveness of the government's increased investment in the latter, given that military spending could easily be regarded as more important. Like public works, the army provided a source of prestige for the regime. In 1837, the *Musée de Versailles* was opened, complete with a gallery of paintings commemorating the role of the king's sons on campaign in Algeria.[76] Already expensive in the 1830s, Algeria became more so during the conquest of the 1840s. Beyond glorifying the dynasty, some advocates of the conquest saw in it a potential solution to the 'social question', since the French poor could migrate to become

[73] Charles-Louis-Gaston d'Audiffret, *Système financier de la France* (2 vols, Paris, 1840). Established in 1807, the *Cour des comptes* was charged with overseeing the public accounts.
[74] Ibid., i. 199–200.
[75] P.L.-R. Higonnet and T.B. Higonnet, 'Class, Corruption and Politics in the French Chamber of Deputies, 1846–1848', *French Historical Studies*, v (1967), pp. 204–24; see also Tudesq, *Les Grands notables en France*, i. 429–35.
[76] J.E. Sessions, *By Sword and Plow: France and the Conquest of Algeria* (Ithaca, NY, 2011), pp. 83–124.

prosperous colonists.[77] Colonisation, moreover, would facilitate the economic development of Algeria, and would thus reduce the costs of sustaining the French presence there. This, however, was a distant prospect in the 1840s. From 1836 to 1845, revenue from the colony never exceeded 6 per cent of expenditure there, and this fell to a low of 3 per cent in 1841–1842 as military spending rose.[78] For critics of the conquest, such costs diverted resources from the public works that would improve prosperity in France and strengthen French power and prestige in Europe.[79] Ultimately, deficits in Algeria amounted to almost 900 million francs between 1830 and 1848.[80]

An international crisis over the Near East in the summer of 1840 stimulated further increases to military and naval spending (fig. 2). In 1839–40, the French alienated the other Great Powers by supporting the Egyptians in their war against the Ottomans. Fearful of an Ottoman collapse, in July 1840 the Powers concluded a convention to guarantee the integrity of the Ottoman Empire, to which France was merely invited to accede. Humiliated, the French mobilised reservists, threatening the Powers with a European war. The French ultimately conceded, and the fear that France was unprepared for a European war persisted. In 1841, Thiers, who had headed the government during most of the crisis, persuaded the Chambers to resume the fortification of Paris, which had stalled since 1833; it was completed in 1844 at a total cost of 145 million francs.[81] The 1840 crisis also increased the impetus for railway construction to facilitate the movement of troops and so improve the army's defensive capacity.[82] French sensitivity to the slight from the Great Powers in 1840 was increased by other European monarchs' disdain for Louis-Philippe as a king crowned by a

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[77] Ibid., pp. 200–207, 264–89; J. Pitts, *A Turn to Empire: The Rise of Imperial Liberalism in Britain and France* (Princeton, NJ, 2005).
[78] M. Douël, *Un siècle de finances coloniales* (Paris, 1930), pp. 17, 89.
[79] Amédée Desjobert, *La Question d'Alger: Politique, colonisation, commerce* (Paris, 1837), pp. 253–7; on Desjobert, see Pitts, *A Turn to Empire*, pp. 185–9.
[80] Douël, *Un siècle de finances coloniales*, pp. 17, 89, 141.
[81] O'Brien, 'L'Embastillement de Paris', p. 63.
[82] Pierre-Jean-Joseph Lacave-Laplagne, *Observations sur l'administration des finances pendant le Gouvernement de Juillet, et sur ses résultats, en réponse aux rapports de M. le Ministre des finances des 9 mars et 8 mai 1848* (Paris, 1848), pp. 25–6.

revolution. Consequently, the desire for glory abroad intensified, increasing the pressure both to conquer Algeria and to pursue a more global foreign policy.[83] The latter encouraged the growth of naval expenditure in the mid-1840s, as the French sought to capitalise on the innovation of steam power.[84]

In Paul Kennedy's words, France was a 'hybrid power', with naval and terrestrial interests but without the means to pursue these simultaneously.[85] This problem was rendered more acute by the growing pressure for retrenchment. Even before the international crisis, military expenditure aroused concern, as Audiffret's book suggests. In February 1840, one member of the Chamber's budget commission condemned military spending as 'enormous'.[86] For advocates of public works, railway construction offered a means of reducing military spending over the longer term. Chevalier had noted in 1838 that 'in times of peace, it would allow a considerable reduction in the military forces spread across the south, because the garrison of Paris would then be simultaneously the garrison of Lyon'.[87] In expediting the movement of troops, and thus improving the defence of France's borders, railways could potentially facilitate reductions in military spending. Moreover, Chevalier believed that, in supporting railway construction and so facilitating prosperity, the government would acquire greater means to extend French influence abroad through non-military means.[88] The expansion of the state through public works, therefore, could strengthen France's position as a great power.

[83] Pinkney, *Decisive Years in France*, pp. 128–48; D. Todd, 'A French Imperial Meridian, 1814–1870', *Past and Present*, no. 210 (2011), pp. 155–86.
[84] C.I. Hamilton, 'The Diplomatic and Naval Effects of the Prince de Joinville's *Note sur L'état des forces navales de la France* of 1844', *Historical Journal*, xxxii (1989), pp. 675–87; M. Battesti, *La Marine de Napoléon III: Une politique navale* (2 vols, Vincennes, 1997), i. 46–7.
[85] P.M. Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York, 1989), p. 169.
[86] Pierrefitte-sur-Seine, Archives Nationales [hereafter AN], C 803, procès verbaux, commission du budget, session de 1840, 27 Feb. 1840.
[87] Michel Chevalier, 'Du Réseau des Chemins de Fer tel qu'il pourrait être établi en France', *Revue des deux mondes*, 15 Apr. 1838.
[88] D. Todd, 'Transnational Projects of Empire in France, *c*.1815–*c*.1870', *Modern Intellectual History*, xii (2015), pp. 265–93, at 274–7; F. Taricone, *Il Sansimoniano Michel Chevalier: Industrialismo e liberalismo* (Florence, 2006), pp. 191–3.

IV

The political will for the growth of government spending in the 1840s seems to have come from Louis-Philippe himself, from François Guizot, the foreign minister and effective leader of the government, and from Tanneguy Duchâtel, the interior minister. Indeed, the partnership between Guizot and Duchâtel dominated the internal politics of the government they both joined in October 1840.[89] Within the government, though, as among the political elite more broadly, higher public spending proved controversial. Jean-Georges Humann, finance minister from 1840 to 1842, complained in 1841 that 'The Country ... aspires to be powerful everywhere and in all things, externally and internally. It wants numerous armies, a formidable navy, roads, canals, railways and all this on the condition that we ask it for no subsidies.'[90] Though he supported railway construction, Humann resisted the growth of government spending, deeming it fiscally irresponsible.[91] He opposed the fortification of Paris, for instance.[92] Unfortunately for Humann, his colleagues, not least Guizot and Duchâtel, agreed with 'the Country' in wanting the best of all worlds.

Historians have tended to regard Guizot as ignorant of, or indifferent to, economics.[93] In part, this accusation originated with the alleged fiscal irresponsibility of his government. In the 1840s, recalled the prominent opposition politician Charles de Rémusat, the finance ministry was sufficiently unimportant to be 'abandoned to men of the second or third rank'.[94]

[89] On the relationship between Guizot and Duchâtel, see R.L. Koepke, 'Charles Tanneguy Duchâtel and the Revolution of 1848', *French Historical Studies*, viii (1973), pp. 236–54.
[90] AN, Maison de France MSS, 300AP(III)/44, dossier 2, fo. 3, Jean-Georges Humann to Louis-Philippe, 13 Aug. 1841.
[91] For his approval of railways, see, for example, *Archives parlementaires*, 2nd ser., cix. 551 (Humann, 14 Jan. 1836).
[92] London, Rothschild Archive [hereafter RA], XI/101/4, de Rothschild frères to N.M. Rothschild and Sons, 6 Jan. 1841.
[93] On Guizot's attitude to political economy, see P. Rosanvallon, *Le Moment Guizot* (Paris, 1985), pp. 267–70; D. Johnson, *Guizot: Aspects of French History, 1787–1874* (London, 1963), pp. 81–2, 230–35; F. Démier, 'Peut-on parler d'une politique économique de Guizot?', in R. Chamboredon, ed., *François Guizot (1787–1874): Passé, présent* (Paris, 2010), pp. 93–116.
[94] C. de Rémusat, *Mémoires de ma vie*, ed. C.-H. Pouthas (5 vols, Paris, 1958–67), iv. 12.

While Humann was not a 'man of the second or third rank', this description was more applicable to his successors, Jean Lacave-Laplagne and Sylvain Dumon. However, the limitations of these men afforded Guizot and Duchâtel greater control over economic policy. Though Guizot's main focus, as foreign minister, was on international relations, he remained active in domestic affairs. The same was true of Louis-Philippe, whose principal political interests lay in foreign affairs and the military. Certainly, the growth in government railway expenditure could not have happened without the support of both men. Evidence for their involvement is sparse, though, partly because many of the deliberations between Louis-Philippe, Guizot, Duchâtel and other ministers over railways were undertaken orally.[95] Still, the pre-eminence of these three men was occasionally apparent in writing. In 1845, Comte Daru presented the Chamber of Peers with a proposal to require railway concessionaires to declare their assets and entrust these to the *Caisse des dépôts et consignations*.[96] This would reduce the risk that the public money invested in railway companies would be lost to bankruptcies or speculation, while reassuring the public and other investors that a concession was backed by sufficient capital. The proposal was criticised as creating a disincentive for joint-stock railway finance.[97] Fearing that the motion might pass and consequently produce a withdrawal of essential British capital, Louis-Philippe summoned Guizot and Duchâtel. The effect of a reduction in private capital, the king wrote, would require the government to commit more of its own resources to maintain railway construction.[98] The episode reveals Louis-Philippe's commitment to the expansion of railways—preferably by relying on private

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[95] Thus Guy Antonetti, for example, suggests that Louis-Philippe 'did not appear personally very interested' in the 1842 railway law: G. Antonetti, *Louis-Philippe* (Paris, 1994), p. 849.

[96] Established in 1816, the *Caisse des dépôts et consignations* managed a wide array of private assets under the supervision of the government, the Banque de France, members of the legislature and the president of the Paris Chamber of Commerce.

[97] *Le Moniteur universel*, 16 Feb. 1845 (Napoléon Daru, 15 Feb. 1845); *Le Moniteur universel*, 20 Mar. 1845 (report by Teste, 19 Mar. 1845); *Le Moniteur universel*, 26 Mar.–2 Apr. 1845. Following the presentation of Daru's proposal, Pierre Sylvain Dumon, the minister of public works, offered no immediate opposition, recommending instead that the Chamber consider it (*Le Moniteur universel*, 16 Feb. 1845 [Dumon, 15 Feb. 1845]); when the proposition was debated, he adopted a stance of qualified opposition (*Le Moniteur universel*, 27 Mar. 1845 [Dumon, 26 Mar. 1845]).

[98] AN, Guizot MSS, 42AP/286, Louis-Philippe to François Guizot, 30 Mar. 1845.

finance—as well as reflecting the ultimate supremacy of Louis-Philippe, Guizot and Duchâtel over public works.

Louis-Philippe's desire to sustain private investment in railways reflected the widespread desire to ease the burden on the state by harnessing private capital. This would appease opponents of rising government expenditure in the Chambers, while also easing the pressure to reduce military spending—a major concern of the king's. Though the government accommodated pressure from the Chambers to curb the growth of military spending that followed the 1840 crisis, Louis-Philippe—like the war ministry—yielded to this reluctantly. In 1843, for instance, he instructed his ministers to oppose a 'fatal reduction' in the military budget.[99] As Guizot observed in 1847, in response to a request from the incoming governor-general of Algeria for more troops, 'I am well accustomed to fighting against the inclination of the Chambers and firmly resolved to continue. But there is an insurmountable limit, even in the interests of success.'[100] In other words, Guizot sought to overcome the Chambers' parsimoniousness, and did so regularly. Unlike Humann, Guizot and Louis-Philippe regarded a balanced budget as a secondary consideration: important, but subordinate to other concerns. Fiscal equilibrium was not an end in itself; rather, public finance existed to serve broader political purposes. Borrowing was acceptable for necessary expenditure such as the army and public works.

Louis-Philippe and Guizot's engagement with fiscal questions was also apparent in their foreign policy, which entailed the pursuit of customs agreements with Belgium, the Netherlands, Switzerland and Piedmont, in addition to commercial negotiations with Britain.[101] While Guizot and Louis-Philippe sought these agreements for political and not economic reasons, they are hardly indicative of an indifference to economics, since their

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[99] AN, Guizot MSS, 42AP/286, Louis-Philippe to Guizot, 19 Apr. 1843.
[100] AN, Guizot MSS, 42AP/188, Guizot to Henri, duc d'Aumale, 18 Aug. 1847.
[101] S. Mastellone, *La Politica estera del Guizot, 1840–1847: L'unione doganale, la lega borbonica* (Florence, 1957).

political utility would be at least partly dependent on their economic value. The more economically profitable a customs agreement between, say, France and Belgium, the more politically useful it would become. Customs negotiations, moreover, required a detailed understanding, from Louis-Philippe, Guizot and others, of the mechanics of the fiscal system and its relationship to the economy.[102]

While foreign policy occupied Guizot and Louis-Philippe, Duchâtel oversaw the day-to-day management of domestic affairs. Duchâtel had a more substantial background in economics than Guizot, having served as minister of agriculture, commerce and public works in 1834-1836 and then as finance minister in 1836–37. His interest in the subject dated from the 1820s, when he had written regularly on political economy for *Le Globe*, a prominent opposition newspaper founded in 1824. Here, he had endorsed the economic liberalism then in vogue, supporting retrenchment and a smaller state.[103] That Duchâtel did little to promote this brand of political economy in the 1840s partly reflects the decline of its influence and prominence in public discourse. As early as the aftermath of the 1830 revolution, Louis-Philippe, indicating that he had no particular zeal for retrenchment, had instructed that the phrase 'Gouvernement à bon marché' should not appear in *Le Moniteur*, the official government newspaper.[104] Duchâtel supported the growth of the state in the 1840s, and his commitment to the interventionist state was apparent during the economic crisis of 1846–47. Faced with rising bread prices in Paris following a harvest failure in 1846, he complained that the bureaucracy at the ministry of commerce was too committed to bakers' 'absolute

[102] AN, Guizot MSS, 42AP/286, Louis-Philippe to Guizot, 25 Sept. 1842.
[103] J.-J. Goblot, *La Jeune France libérale:* Le Globe *et son groupe littéraire, 1824–1830* (Paris, 1995), pp. 310–22; see also Tanneguy Duchâtel, *De la charité, dans ses rapports avec l'état moral et le bien-être des classes inférieures* (Paris, 1829).
[104] AN, Guizot MSS, 42AP/286, Louis-Philippe to Guizot, n.d. [1830?].

freedom' to regulate prices properly, an attitude which, he complained, risked 'the most serious disorder'.[105]

Like their predecessors, Guizot and Duchâtel sought to reconcile competing demands on government expenditure, while also trying to accommodate pressure for fiscal rectitude. To this end, as the 1842 railway law suggests, they sought to exploit the resources of local government and private finance for public works. Since these proved inadequate, however, the government resorted to borrowing. As Guizot noted, the government's guiding principles were 'New spending and useful public works[;] No new taxes.'[106] Indeed, no new taxes were introduced under Louis-Philippe.[107] Instead, benefiting from economic growth, the government increased revenue from existing indirect taxes—attempts to raise direct taxes produced severe resistance.[108] To finance the growth of public expenditure, three major loans were floated, in 1841, 1844 and 1847.[109] The first of these, amounting to 150 million francs, was needed to support rising military expenditure: the expansion of the army after the 1840 crisis, the fortification of Paris and the conquest of Algeria. The second loan, of 200 million francs, was contracted to cover both the military budget, which remained large despite several cuts after 1841, and the surge of railway construction in the mid-1840s. The third and largest loan, of 250 million francs, was floated to finance a bailout of the railway companies following a financial crisis. Of the three loans, therefore, the last was the most innovative, offering a clear demonstration of the priorities of the new, interventionist state. For this reason, it merits closer consideration.

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[105] Brussels, Archives générales du Royaume, Vendôme-Nemours MSS, I586/72, Tanneguy Duchâtel to Louis-Philippe, 14 Aug. 1847.
[106] AN, Guizot MSS, 42AP/36, informal private note by Guizot, May 1843.
[107] Marion, *Histoire financière*, v. 229.
[108] J.-C. Caron, *L'Été rouge: Chronique de la révolte populaire en France, 1841* (Paris, 2002); R.L. Koepke, 'The *Loi des patentes* of 1844', *French Historical Studies*, xi (1980), pp. 398–430.
[109] Gille, *Histoire de la maison Rothschild*, i. 306–10.

The financial crisis of 1847 arose from the harvest failure of 1846, which affected most of Europe. The government responded by removing the prohibition on the import of foreign grain, and by encouraging municipal authorities to reduce duties on grain.[110] However, grain imports from Russia, Spain and the United States produced an exodus of specie, pushing the Banque de France to raise its discount rate from 4 per cent to 5 per cent in January 1847.[111] Only in December was the rate returned to 4 per cent.[112] In the meantime, the Banque obtained bullion through a loan from the London firm of Barings. This money was then repaid when the Russian government, seeking to stimulate French purchases of Russian grain, stepped in to buy *rentes* and so reinforced the Banque's reserves.[113] In tightening the money supply, the Banque exacerbated the problems the railway companies were already facing as a result of the 1846 crisis, since rising food prices had reduced industrial demand and curbed the availability of capital. Indeed, by January 1847, the Lyon–Avignon railway company was close to bankruptcy.[114] Declining to rescue it, the bankers turned to the government, seeking either an injection of public money or a prolongation of the concession, both of which would boost the potential profitability of the line in the longer term and thus make it more attractive to private capital.[115] These proposals were rejected, and British and Parisian shareholders initiated the liquidation of the company in August.[116]

Public money having been necessary to stimulate private railway investment earlier in the decade, it assumed a renewed importance as the financial crisis undermined investors' confidence. The government, though, struggled to secure the funds necessary to assist the railway companies. The harvest failure of 1846 was a typical subsistence crisis, but the

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[110] P. Thureau-Dangin, *Histoire de la monarchie de Juillet* (7 vols, Paris, 1884–92), vii. 27.
[111] G. Ramon, *Histoire de la Banque de France, d'après les sources originales* (Paris, 1929), pp. 205–6.
[112] Ibid., p. 214.
[113] Paris, Archives de la Banque de France [hereafter ABF], 1069199521/7, note, 'Décembre 1846. Achat de 25 millions de matière d'argent à l'Angleterre'; Ramon, *Histoire de la Banque de France*, pp. 206–10; B. Goujon, *Monarchies postrévolutionnaires, 1814–1848* (Paris, 2012), p. 383.
[114] Caron, *Histoire des chemins de fer*, i. 195.
[115] London, Baring Archive [hereafter BA], HC 7.1.363, Hottinguer et Cie to Baring Brothers, 1 Apr. 1847.
[116] Caron, *Histoire des chemins de fer*, i. 195.

financial crash of 1847 was a less familiar phenomenon.[117] It seems to have produced two reactions, one in favour of state intervention to mitigate its effects, and another in favour of fiscal rectitude. In line with landowners' distaste for spending public money to the profit of railway financiers, many deputies disliked the idea of increasing state assistance to the railways, reviving the arguments deployed in 1839–40 against the idea of guaranteeing dividends. Thus, Laplagne faced fierce and widespread criticism when he presented the budget to the Chamber of Deputies in January 1847. Lambasted for mismanaging the public finances, in May he was replaced by Dumon.[118]

Like Laplagne, Dumon had to reconcile the pressure for action with the demands of fiscal rectitude. Bankers and railway companies continued to seek government assistance; the directors of the Paris–Strasbourg railway company, for example, stressed to the minister of public works that inaction would exacerbate the crisis.[119] Such concerns seem to have ultimately overcome the opposition and reluctance of some deputies. In June, Guizot noted: 'The reaction in favour of continuing the works and the arrangements with the Companies becomes clear.'[120] Still, the government's proposal for a loan of 350 million francs to rescue the railway companies remained controversial, and the opposition continued to reproach 'the system of the law of 1842'.[121] Under the barrage of criticism, Dumon sank towards indecisiveness, increasing the control of Guizot and Duchâtel over policy. 'Dumon wants a conversation,' Guizot wrote to Duchâtel the day after the budget passed, 'between us all, on the foundations of the budget. He is on the right track. He spoke wonderfully on the loan, and very usefully for the public. He must be encouraged.'[122]

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[117] M. Price, *The Perilous Crown: France Between Revolutions, 1814–1848* (London, 2007), p. 327.
[118] François Guizot, *Mémoires pour servir à l'histoire de mon temps* (8 vols, Paris, 1858–67), viii. 37–8.
[119] A.-J. Tudesq, 'La Crise de 1847, vue par les milieux d'affaires parisiens', *Bibliothèque de la Révolution de 1848*, xix (1956), p. 34.
[120] AN, Duchâtel MSS, 2AP/8, dossier 1, fo. 96, Guizot to Duchâtel, 5 June 1847.
[121] *Le Moniteur universel*, 3 July 1847 (Léon Faucher, 2 July 1847).
[122] AN, Duchâtel MSS, 2AP/8, dossier 1, fo. 104, Guizot to Duchâtel, 9 Aug. 1847. Duchâtel shared Guizot's assessment: AN, Guizot MSS, 42AP/203, Duchâtel to Guizot, 11 Aug. 1847.

Though the Chambers approved the budget in August, Dumon continued to vacillate. He did not rush to adjudicate the loan, since this was the most striking evidence of the government's alleged financial mismanagement. Dumon, wrote the Paris banker Hottinguer in September, 'seems to be as much embarrassed as ever'. He was, Hottinguer claimed, considering issuing 100 million of the loan in short-term bills, which would allow him to defer adjudicating the rest until 'until the end of next year'.[123] While this idea was quickly dropped as unfeasible, the continuing uncertainty over the loan, Hottinguer noted, was 'weighing heavily on the *bourse*'.[124] This was eased when the government, to Hottinguer's surprise, announced on 10 October the issue of 250 million francs of *rentes*, raising investors' confidence in railway shares.[125] The loan was adjudicated to the Rothschilds in November, on terms negotiated by Dumon and Duchâtel.[126] Meanwhile, the issue of the remaining 100 million was deferred to 1848.

The financial crisis of 1847 thus stimulated the interventionism of the Orleanist state. At the same time, the controversy over the loan generated new pressure for fiscal rectitude. Economic liberalism, having found its political influence waning during the early 1830s, experienced a limited revival as the opposition emphasised the need for a smaller state. 'The principal cause of the present trouble,' wrote the widely-circulated opposition newspaper *Le Constitutionnel*, 'all the world knows, is the excess of public works, and the exaggerated number of railway concessions.'[127] The solution to the economic malaise, claimed opposition politicians, lay in reducing the state. 'In ordinary times, and had our finances been well managed,' *Le Constitutionnel* continued, 'French speculators would have easily been able to

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[123] BA, HC 7.1.419, Hottinguer et Cie to Baring Brothers, 25 Sept. 1847.
[124] BA, HC 7.1.422, Hottinguer et Cie to Baring Brothers, 4 Oct. 1847. Emphasis in the original.
[125] *Le Moniteur universel*, 10 Oct. 1847; BA, HC 7.1.426, Hottinguer et Cie to Baring Brothers, 11 Oct. 1847; RA, XI/109/64A/1, Nathaniel Rothschild to his brothers, 14 Oct. 1847.
[126] Gille, *Histoire de la maison Rothschild*, i. 309; RA, XI/109/64B/2, Nathaniel Rothschild to his brothers, n.d. [Oct.–Nov. 1847].
[127] *Le Constitutionnel*, 5 Aug. 1847.

acquire the grain that has become necessary.'[128] Without the financial crisis of 1847, itself caused by the growth of the state and mismanagement of the public finances, the loan would have been unnecessary. According to this logic, in other words, the expansion of the state had perpetuated both itself and economic misery. Even the railway construction that had justified the growth of the state was destructive, the newspaper claimed: 'haulage partly disappears, stagecoaches fall out of use, small businesses move, relay posts are ruined, small towns and villages in which one stayed and next to which we only pass today, languish, and are depopulated and impoverished'. Though they might deliver future prosperity, railways initially 'cause innumerable sufferings'.[129]

The pressure to streamline the state was reinforced by a group of 'progressive conservatives', who emerged during the 1846 election campaign to promote electoral reform, economic liberalisation and cheaper government.[130] Though they played only a minor role in the financial debates of 1847, their appearance nevertheless reflected the growing difficulties of maintaining the expansion of the state initiated a decade before. The pressure to downsize the state contributed to Dumon's quandary in 1847. As *Le Constitutionnel* observed, Dumon 'does not know how to solve the problem; the deficit must be covered and simultaneously revenues must be reduced'.[131] While the 1847 loan represented the apogee of the interventionist Orleanist state, the ensuing debate over the purposes and the size of the state created new demands for retrenchment—and contributed to a reconfiguration of the state following the overthrow of the July Monarchy in the revolution of February 1848.

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[128] Ibid.
[129] Ibid.
[130] R.L. Koepke, 'The Short, Unhappy History of Progressive Conservatism in France, 1846–1848', *Canadian Journal of History*, xviii (1983), pp. 187–216.
[131] *Le Constitutionnel*, 10 Aug. 1847.

The reductions in public expenditure that followed the 1848 revolution lasted for the duration of the Second Republic, and a desire to maintain fiscal equilibrium continued under the Second Empire. Similar pressures for a smaller state were apparent in Britain. In 1842, Sir Robert Peel reintroduced income tax as a temporary measure intended to ease the rebalancing of the British fiscal system towards lower taxes of a wide incidence and thus of a high yield. Though initially attacked by liberal economists, who regarded it as a means of potentially increasing the size of the state, the income tax was soon regarded as a pillar of free trade and a smaller state. It reduced the government's reliance on indirect taxes, which were criticised for their lack of transparency and the burden they placed on industry, and it facilitated the abolition of the protectionist Corn Laws in 1846.[132] This produced what has been called a '*laissez-faire*' state or, perhaps more appropriately, a 'delegating-market' state.[133] In France, while the fiscal system was not recast, elements of what might be called a 'delegating-market' state emerged in the 1850s, as the interventionist Orleanist state was reshaped. While government spending continued to grow, it became more concentrated on the military. Though the regime maintained the Orleanist commitment to ensuring bread remained affordable, these costs, as in 1846–47, were transferred to local government wherever possible.[134] Meanwhile, the pressure for retrenchment was accommodated by delegating public works to the private sector, which, partly at the government's instigation, was transformed through the extension of joint-stock finance.

Already considerable following the 1847 crisis, demands for cuts to public spending were exacerbated by the further expansion of the state after the 1848 revolution. On 26 February, the day after the Second Republic was established, the provisional government decreed the creation of National Workshops to provide work for the unemployed. Work, the

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[132] M. Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799–1914* (Cambridge, 2001), pp. 78–90.
[133] P. Harling and P. Mandler, 'From "Fiscal-Military" State to Laissez-Faire State, 1760–1850', *Journal of British Studies,* xxxii (1993), pp. 44–70; Daunton, *Trusting Leviathan*, p. 26.
[134] Miller, *Mastering the Market*, pp. 286–90; Marion, *Histoire financière*, v. 359.

radicals believed, was an entitlement, to be guaranteed by the state.[135] By contrast, many moderates and conservatives regarded the National Workshops suspiciously, seeing in them a means of spreading subversive ideas and of undermining the willingness of the poor to seek employment independently of the state.[136] A general election in April resulted in victory for the moderates and conservatives. In June, the Workshops were suddenly closed, prompting the uprising from the Parisian left known as the June Days. This was quelled, and a new moderate republican government was established.

The expansion of the state apparent in the National Workshops created new problems of public finance. Already fragile, the markets plunged when the July Monarchy collapsed. 5 per cent *rentes*, having been at 116.55 (that is 116.5 per cent of the nominal value of the bonds) on the eve of the February revolution, sank to a low of 50.5 in April.[137] Thus, investors recoiled when the provisional government sought to borrow the 100 million that remained of the loan of 1847.[138] The financial crisis that followed the February revolution made it impossible to continue the Orleanist practice of relying on credit to finance the expansion of the state. Louis-Antoine Garnier-Pagès, the finance minister, therefore resorted to taxation to fund the Republic's social programme. On 16 March, he decreed the notorious '45 centimes', a temporary 45 per cent surtax on all direct taxes.[139] This provoked fierce resistance across the country, particularly in the wine-growing regions in the south-west, where the 45 centimes exacerbated existing discontent with alcohol duties.[140] In raising direct instead of indirect taxes, Garnier-Pagès sought to initiate a rebalancing of the fiscal system towards more progressive taxation. To achieve this, while also seeking to prevent unrest, he

[135] D.C. McKay, *The National Workshops: A Study in the French Revolution of 1848* (Cambridge, MA, 1933), pp. 9–13.
[136] Ibid., pp. 81–104; F. Dreyfus, *L'Assistance sous la Seconde République (1848 à 1851)* (Paris, 1907), pp. 50–66; see also R. Price, 'Poor Relief and Social Crisis in Mid-Nineteenth Century France', *European History Quarterly*, xiii (1983), pp. 423–54.
[137] *Le Moniteur universel*, 22 Feb. and 6 Apr. 1848.
[138] Marion, *Histoire financière*, v. 241–2, 261.
[139] Ibid., v. 245.
[140] R. Gossez, 'La Résistance à l'impôt: Les Quarante-cinq centimes', *Bibliothèque de la Révolution de 1848*, xv (1953), pp. 89–132.

announced that the 45 centimes would be reduced for the poor.[141] This, however, aroused fresh opposition from the right, for whom the taxation was a means of raising money, not of social engineering. Moreover, despite Garnier-Pagès's intention, the reductions were often seen as insufficient, and thus exacerbated unrest.[142]

To explain the implosion of public credit, the need for the 45 centimes and the Republic's failure to create a utopia, Garnier-Pagès emphasised—and exaggerated considerably—the precariousness of the finances that the Republic had inherited from the July Monarchy.[143] Echoing the opposition of 1847, he attacked the Orleanist regime of the 1840s as fiscally irresponsible. Conservatives, meanwhile, maintained the critique of Orleanist finances they had developed from the late 1830s onwards; in 1848, Audiffret published a pamphlet criticising the Orleanists' management of the public finances after 1841.[144] The fiscal legacy of the July Monarchy was thus attacked on both the left and the right. Though several Orleanists, including Laplagne and Dumon, published defences of their stewardship of the public finances, they did not deny the dire state of the financial situation in 1848; rather, they blamed the republicans for the deterioration.[145] The trouble affecting the public finances was universally acknowledged and was deemed to be evident in the fall of the *rente* and the disorder caused by the 45 centimes. As a result, pressure for retrenchment became overwhelming.

Though the suppression of the June Days curtailed the power of the left, the moderate republicans did little to cut public expenditure thereafter. Rather, the new government

[141] Louis-Antoine Garnier-Pagès, *Histoire de la Révolution de 1848* (8 vols, Paris, 1861–2), viii. 341; Marion, *Histoire financière*, v. 246.
[142] Proposed reductions stimulated fresh unrest in the *département* of Basses-Alpes, for example: AN, BB[18] 1462, *procureur*, Digne, to the *procureur général*, Aix-en-Provence, 28 Oct. 1848.
[143] *Le Moniteur universel*, 9 May 1848 (Louis-Antoine Garnier-Pagès, 8 May 1848); Marion, *Histoire financière*, v. 239; A. Antony, *La Politique financière du Gouvernement provisoire, février–mai 1848* (Paris, 1910), pp. 26–8.
[144] Charles-Louis-Gaston d'Audiffret, *La Crise financière de 1848* (Paris, 1848).
[145] Lacave-Laplagne, *Observations sur l'administration des finances pendant le Gouvernement de Juillet*; Sylvain Dumon, 'De l'équilibre des budgets sous la monarchie de 1830', *Revue des deux mondes*, 15 Sept. 1849.

pursued a programme of social reform, aimed at easing the 'social question'.[146] Michel Goudchaux, who succeeded Garnier-Pagès, continued the latter's attempts to develop a more progressive fiscal system, though without success.[147] While public credit improved following the radicals' defeat in June, the maintenance of public expenditure induced the government to retain the 45 centimes, which did much to compromise the legitimacy of the Republic.[148] Pledges to abolish these taxes had formed a major part of the April election campaign, and promises to reimburse them featured prominently in the subsequent elections of 1848 and 1849.[149]

Elected president in December 1848, Louis-Napoleon Bonaparte appealed to moderates and conservatives, promising retrenchment and fiscal stability.[150] A series of spending cuts ensued (figs. 1 and 2). Raised to 421,182,774 francs in 1848 by the need to quell disorder and ensure border security, military expenditure fell from 374,762,355 francs in 1849 to 327,418,353 in 1852. The navy budget, too, was cut from 124,646,816 francs in 1848 to 86,556,793 in 1852. Meanwhile, public works spending fell from 216,045,163 in 1848 to 120,319,077 francs in 1852.[151] In 1853, the ministry of public works was amalgamated with that of agriculture and commerce. Initially, the retrenchment was overseen by Hippolyte Passy, who became finance minister after Louis-Napoleon's election and had previously served as finance minister during the 1840 crisis. The cuts were continued by Achille Fould, a former banker who had been prominent among the advocates of fiscal

[146] F.A. de Luna, *The French Republic Under Cavaignac, 1848* (Princeton, NJ, 1969), pp. 248–67.
[147] See R. Schnerb, 'Les Hommes de 1848 et l'impôt', in J. Bouvier and J. Wolff, eds., *Deux siècles de fiscalité française, XIX^{e}–XX^{e} siècle* (Paris, 1973), pp. 105–57. In February to June, 13.5 million francs were spent on the National Workshops; from July to December central and local government combined spent 13 million on poor relief in Paris: Luna, *French Republic Under Cavaignac*, p. 272.
[148] Marion, *Histoire financière*, v. 274–9; A. Corbin, *Le Village des cannibales* (Paris, 1990), pp. 31–46.
[149] Marion, *Histoire financière*, v. 247.
[150] A.-J. Tudesq, *L'Élection présidentielle de Louis-Napoléon Bonaparte, 10 décembre 1848* (Paris, 1965); *Élection de Louis-Napoléon Bonaparte, président de la République Française élu par le peuple et proclamé par l'Assemblée nationale, le 20 décembre 1848* (Paris, 1849), p. 32.
[151] *Projet de loi portant règlement définitif du budget de l'exercice 1848* (Paris, 1850); *Projet de loi portant règlement définitif du budget de l'exercice 1849* (Paris, 1851); *Projet de loi portant règlement définitif du budget de l'exercice 1852* (Paris, 1854).

rectitude in 1847, and who succeeded Passy in October 1849.[152] The retrenchment to some extent reflected the reversion of the state to its pre-Orleanist role, in which public works were to be largely left to the private sector—at 44.3 per cent, the reduction in public works spending was more severe than that in the army (22.3 per cent) or navy (30.6 per cent) budgets.

Government borrowing to finance public works, seen as partly responsible for the financial crises of 1847–1848, had become inadmissible. This attitude was apparent in the solution to the railway question, which the crash of 1848 had exacerbated. In May 1848, the provisional government had proposed to nationalise the railways, which would end the problems facing the companies while also removing a public service from private ownership.[153] Opposed by moderates and conservatives, this plan was scrapped after the June Days. Instead, from 1849 the government instigated a series of mergers.[154] Private finance, instead of the state, was to save the railway companies. Whereas under the July Monarchy 28.7 per cent of railway spending came from the state, this fell to 8.9 per cent under the Second Empire.[155] To lubricate private finance, the government, beginning in 1851, provided a series of dividend guarantees, though under terms stipulating that any advances made by the state would be repaid at 3–4 per cent interest.[156] Meanwhile, the Banque de France ceased to seek a fixed discount rate of 4 per cent, which had determined its policy under previous regimes. The relatively high rate of 4 per cent suited the *haute banque*; they rarely borrowed from the Banque de France, while high interest rates boosted the bankers' profits. As a result, the logic ran, French banks were better able to support public credit.[157] In March 1852,

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[152] *Le Moniteur universel*, 23 June 1847 (Achille Fould, 22 June 1847); F. Barbier, *Finance et politique: La Dynastie des Fould, XVIII^e–XX^e siècle* (Paris, 1991), pp. 147–56.
[153] Leclercq, *Le Réseau impossible*, pp. 202–6.
[154] Caron, *Histoire des chemins de fer*, i. 206–31; L. Girard, *La Politique des travaux publics du Second Empire* (Paris, 1952), pp. 88–97.
[155] Leclercq, 'Les Transfers financiers', p. 899.
[156] Caron, *Histoire des chemins de fer*, i. 207, 235–8.
[157] A. Plessis, *La Politique de la Banque de France de 1851 à 1870* (Paris, 1985), pp. 93–4.

however, the discount rate was cut to 3 per cent, while the government converted 5 per cent *rentes* to 4.5 per cent and 3 per cent.[158] The fall in interest rates stimulated the private capital market, as did the influx of money following the discovery of gold in California and Australia, facilitating the growth of joint-stock banking and the 'great boom' of the 1850s.[159]

To further economic development, the government approved the foundation of the *Crédit foncier* of Paris in March 1852.[160] Largely conceived in the 1840s by the liberal economist Louis Wolowski, the *Crédit foncier* was established to improve credit for smallholders, and, from 1860 onwards, the bank became a major creditor to municipal governments, as they sought to finance urban renovations.[161] The rebuilding of Paris, initiated under the July Monarchy, intensified, while towns and cities across France were rebuilt.[162] In supporting urban renewal, the *Crédit foncier*, alongside new tax revenues for local government, reflected the central government's desire to ease pressure on its budget by encouraging local government to play a greater role in public works.[163] A few months after the foundation of the *Crédit foncier*, the government authorised the creation of the *Crédit mobilier* by the Pereire brothers, the banker Benoît Fould and several other members of the *haute banque* as a joint-stock operation to finance industry and commerce.[164] From the mid-1850s, the *Crédit mobilier* embarked on an intense competition with the Rothschilds for

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[158] Ibid., pp. 99–105.
[159] On the 'great boom', see E.J. Hobsbawm, *The Age of Capital, 1848–1875* (London, 1975), pp. 29–47.
[160] This company styled itself as the 'Banque foncière de Paris', until it became the Crédit foncier de France in December 1852. The decree authorising the foundation of the company, however, does not use the name 'Banque foncière de Paris'; as the governor of the Banque de France protested, it was not technically entitled to refer to itself as a 'bank': ABF, 1069200401/293, Antoine d'Argout to Jean-Martial Bineau, 8 Sept. 1852.
[161] J.-P. Allinne, *Banquiers et bâtisseurs: Un siècle de Crédit foncier, 1852–1940* (Paris, 1984), pp. 28–35, 59–80; Girard, *La Politique des travaux publics du Second Empire*, pp. 261–6. On Wolowski, see M. Lutfalla, 'Louis Wolowski ou le libéralisme positif', *Revue d'histoire économique et sociale*, liv (1976), pp. 169–84.
[162] D.H. Pinkney, *Napoleon III and the Rebuilding of Paris* (Princeton, NJ, 1958); W.B. Cohen, *Urban Government and the Rise of the French City: Five Municipalities in the Nineteenth Century* (Basingstoke, 1998), pp. 222–3.
[163] Marion, *Histoire financière*, v. 326; Conrad, *Le Conseil général du Haut-Rhin au XIX^e^ siècle*, pp. 514, 516–18.
[164] B. Gille, *La Banque en France au XIX^e^ siècle: Recherches historiques* (Geneva, 1970), pp. 126–43. Despite historians' emphasis on the role of the Pereire brothers, Fould was the main architect of the *Crédit mobilier*: J. Greenfield, 'Le Crédit mobilier avant la suprématie des Pereire', *Histoire, économie et société*, ii (2020), forthcoming.

railway concessions across Europe, doing much to develop the French—and European—railway network in the process.[165] With the advent of universal suffrage in 1848, and the continuing importance of the 'social question', the pressure for public works became, if anything, more intense than during the 1840s. In the 1850s, however, the growth of joint-stock finance and the abundance of capital facilitated large-scale public works without major injections of government money.

Despite the more effective mobilisation of private capital, the expansion of the state did not cease in the 1850s. Public spending fell during the Second Republic, but began to grow again in 1853 as the government sought to contain the effects of poor harvests. In the following year, the Crimean War produced a surge of military and naval expenditure.[166] Indeed, with the greater role private finance played in financing public works, the state acquired an increased capacity to fund the army and navy. Like Louis-Philippe, Louis-Napoleon was committed to maintaining the military expenditure that was essential for his hopes of enhancing France's prestige abroad. Both rulers were committed to public works; in the 1840s, Louis-Napoleon had endorsed the idea of government intervention to benefit society.[167] Once in power, the extension of public works suited his aim of retaining broad popular support—the state could claim credit for furthering the public good, while the opening of railway stations, hospitals and other public buildings offered excellent opportunities for good publicity.[168] Though Louis-Napoleon's political views are notoriously difficult to fix with any certainty, it is unlikely that the retrenchment of the Second Republic

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[165] Gille, *Histoire de la maison Rothschild*, ii. 183–216; R.E. Cameron, *France and the Economic Development of Europe, 1800–1914: Conquests of Peace and Seeds of War* (Princeton, NJ, 1961); N. Ferguson, *The World's Banker: The History of the House of Rothschild* (London, 1998), pp. 564–74, 592–600; Caron, *Histoire des chemins de fer*, i. 210–35.
[166] Fontvieille, *Évolution et croissance de l'État*, pp. 1746–7, 2112–13.
[167] Napoléon-Louis Bonaparte, *Des idées napoléoniennes* (Paris, 1839); Napoléon-Louis Bonaparte, *Extinction du paupérisme* (Paris, 1844); P. Rosanvallon, *La Démocratie inachevée: Histoire de la souveraineté du peuple en France* (Paris, 2000), pp. 203–5. See also E. Anceau, *Napoléon III: Un Saint-Simon à cheval* (Paris, 2008), pp. 351–63.
[168] M. Truesdell, *Spectacular Politics: Louis-Napoleon Bonaparte and the Fête Impériale, 1849–1870* (Oxford, 1997), pp. 81–100; R. Dalisson, *Les Trois couleurs, Marianne et l'empereur: Fêtes libérales et politiques symboliques en France, 1815–1870* (Paris, 2004), pp. 237–41.

reflected an aversion to government spending on public works. Odilon Barrot, the leader of Louis-Napoleon's first government, recalled the difficulties in passing the 1849 budget that arose from reconciling 'the constant demands of the president and the parsimoniousness of the Assembly'.[169] Rather, given the caution of his politics during the late 1840s and 1850s, Louis-Napoleon's acceptance of retrenchment after 1848 probably reflected a desire to retain the support of moderate conservatives and liberal opponents of government spending. In this context, the development of private finance through such institutions as the *Crédit mobilier* had a natural appeal. In delivering public works, these would reduce the pressure on the state budget, potentially mitigating criticisms of the kind levelled against the Orleanists in the 1840s while easing higher military expenditure. Only in the 1860s, when the slump of the late 1850s reduced the private sector's capacity, did government spending on public works grow to match the level reached in the 1840s (fig. 1).[170]

The state's renewed capacity for military spending following the delegation of public works to private finance was apparent during the Crimean War. As with most of the spending increases of the 1840s, the war was financed through three major loans of 250 million, 500 million and 750 million francs floated in 1854 and 1855.[171] The government opted to issue these loans by public subscription, departing from the model copied from the British after 1815. Thus, instead of contracting the loan with bankers—who in the 1840s were the Rothschilds and their associates—the government allowed members of the public to subscribe directly, benefiting from the emergence of rentiers in provincial France under the July Monarchy and the Second Republic by issuing *rentes* beyond Paris, while also seeking

[169] Odilon Barrot, *Mémoires posthumes de Odilon Barrot* (4 vols, Paris, 1875–6), iii. 179.
[170] Girard, *La Politique des travaux publics sous le Second Empire*, pp. 103, 351–5. Whereas public works spending reached a peak under the Orleanists of 119 million francs in 1846, only once in the 1850s did it pass 90 million francs, when it rose to 96 million in 1854. Thereafter, spending grew from 77 million francs in 1859 to 92 million the following year and, in 1861, to 115 million, reaching a peak of 126 million francs in 1868: Fontvieille, *Évolution et croissance de l'État*, pp. 2111–15.
[171] Marion, *Histoire financière*, v. 364–7.

to broaden the number of these investors with an interest in the regime's survival.[172] Loans had been issued by public subscription before, but those of 1854–55 were of an unprecedented scale.[173] Indeed, though this shift towards public subscription potentially allowed the state to access a deeper capital market, it borrowed so much to finance the war that it competed with the private sector for resources—which in turn reduced the private sector's capacity to undertake public works.[174] In late 1855, the government, seeking to retain access to credit without overstraining capital markets and thus driving up interest rates, prohibited a share issue by the *Crédit mobilier* that would have doubled its capital.[175] Then, in March 1856, the government issued a general prohibition on the issuing of new securities until the end of the year, reflecting the fear that peace—formally concluded at the end of the month—would unleash a wave of speculation that could overstretch the market and provoke a financial crisis.[176] While railway companies' needs for funds rendered the ban unsustainable, the government continued to resist new issues.[177] James de Rothschild was forced to abandon plans to improve credit for railway companies through the formation of a new joint-stock enterprise.[178] Despite the delegation of public works to the private sector, the government, like its Orleanist predecessor, retained significant influence, granting or withholding both railway concessions and permission to issue shares.

Though concentrated on the military, the growth of public spending in the 1850s provoked criticism, just as it had under Louis-Philippe. The 'authoritarian Empire' established in 1852 reduced the legislature's power over the budget; in the 1840s, the Chambers approved individual chapters of the budget, but in 1852 this practice was modified

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[172] Ibid., v. 364–5.
[173] The government had opened public subscriptions in 1818, 1831 and 1848. Only that of 1818, for 14.6 million francs, had fulfilled the government's needs.
[174] André Gueslin suggests that public borrowing crowded out private finance and 'productive investment' until the 1880s: *L'État, l'économie et la société française*, p. 81.
[175] Gille, *Histoire de la maison Rothschild*, ii. 196–200.
[176] *Le Moniteur universel*, 9 Mar. 1856.
[177] Gille, *La Banque en France au XIX*[e] *siècle*, p. 149.
[178] Gille, *Histoire de la maison Rothschild*, ii. 208–11.

so that the Corps législatif merely voted on the budgets of entire ministries.[179] Moreover, the Corps législatif was smaller and, partly as a result, tamer than the Orleanist Chamber of Deputies. Consequently, the regime seemed to lack transparency, which encouraged some critics to claim, probably unjustly, that under the Empire 'our finances have not been managed in a manner that is sensible, regular and profitable for the future'.[180] In 1868, Jules Ferry famously attacked Haussmann, the prefect of the Seine from 1852 to 1870, for dishonesty in managing the Parisian municipal budget, echoing the criticisms made of the regime since the 1850s. Though Ferry's claims were exaggerated, his *Comptes fantastiques d'Haussmann* became a *cause célèbre*.[181] Other accusations that the public finances were being mismanaged were similarly hollow.[182] Still, allegations of fiscal irresponsibility allowed Fould to resume the finance ministry in 1861 almost as a latter-day Necker; Fould's carefully cultivated reputation for fiscal rectitude, Napoleon III hoped, would pacify the doubters.[183]

Despite the criticism, Bonapartist political economy had considerable success. The public works of the July Monarchy were extended and increased, while the government's encouragement of joint-stock finance eased the burden they placed on the treasury, in an attempt to accommodate the critics of Orleanist government spending. Private finance would undertake the industrialisation to provide the wealth necessary to alleviate social malaise, which would not require the great expansion of the state dreaded by many liberals and conservatives. In this respect, the means by which the Bonapartists sought to finance public

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[179] Marion, *Histoire financière*, v. 351–2.
[180] Jean-Baptiste Rosario Gonzalve de Nervo, *Les Finances de la France sous le règne de Napoléon III* (2nd edn, Paris, 1861), p. 6. Nervo, a receiver general who in the 1860s published a financial history of the Restoration, defended the Second Empire's stewardship of the public finances.
[181] Jules Ferry, *Comptes fantastiques d'Haussmann: Lettre adressée à MM. les membres de la Commission du Corps législatif chargés d'examiner le nouveau projet d'emprunt de la ville de Paris* (Paris, 1868); Pinkney, *Napoleon III and the Rebuilding of Paris*, pp. 174, 200–201.
[182] Marion, *Histoire financière*, v. 360–62.
[183] Barbier, *Finance et politique*, pp. 196–221; Girard, *La Politique des travaux publics du Second Empire*, pp. 269–75.

works arose in response to the political economy of the July Monarchy, and the state was recast in the process.

VII

France was transformed under the July Monarchy, with the rise of the interventionist Orleanist state. Crucially, public works emerged as a major item of government expenditure. As Laplagne recalled in 1848, 'The ministry of public works acquired a greater importance by the day. In 1829, it was merely an administration, no doubt very important, but dependent on the ministry of the interior; today, it is one of the most considerable: this is what explains the bigger expense of the central administration.'[184] The expansion of the state was most striking in the construction of railways, which was intended to facilitate the administrative centralisation of France, to meet the needs of the military and to further economic development. In Paris, meanwhile, the central government extended its involvement in the municipality's affairs to instigate the rebuilding of the city which intensified under the Second Empire.

In furthering economic development, this new, more interventionist state would raise tax revenue and strengthen France as a great power. Railways, moreover, would enhance public order by increasing the availability of necessities such as grain and thus mitigating the causes of unrest, while facilitating the movement of troops to areas where disorder was not forestalled. Likewise, though the fortification of Paris may have enlarged a potentially subversive urban underclass, the fortifications themselves were expected to ease the military repression of unrest. As with railways, these public works were partly intended to facilitate the preservation of order. Meanwhile, the moral and financial risks that arose from joint-stock railway companies were to be controlled by a wave of new regulation—though not all the

[184] Lacave-Laplagne, *Observations sur l'administration des finances pendant le Gouvernement de Juillet*, pp. 98–9.

adverse effects of railways, such as the decline of stagecoaches and staging posts, could be contained by regulation. Even if the greater prosperity that railway construction was supposed to produce did not necessarily penetrate all of society, it was meant to strengthen the regime by increasing the number of people with investments and a consequent interest in maintaining political stability. When Guizot notoriously responded to pressure to extend the franchise with the words 'enrichissez-vous' ('enrich yourselves'), this was not a mere injunction, but rather reflected the government's aim of social and economic improvement for the sake of preserving the political order, as the context of Guizot's speech made clear: 'found your government, affirm your institutions, enlighten yourselves, enrich yourselves, ameliorate the moral and material condition of our France; these are the real innovations; these are what will satisfy this ardour of movement, this need for progress that characterises this nation'.[185] Greater prosperity would, he hoped, reduce the pressure for drastic electoral reform, in part by gradually allowing more Frenchmen to meet the tax qualification for the franchise.

In addition to improving prosperity, public works were to further enhance the legitimacy of the regime by raising French prestige. Paris was to be rebuilt to glorify the regime, while the government also sought to ensure that France did not fall behind other countries in the construction of a railway network, particularly given the potential military utility of railways. At the same time, the army offered a more traditional option for enhancing French prestige. Heightened military spending increased France's capacity to act as a great power, and was necessary to facilitate the conquest of Algeria, which potentially offered a solution to the 'social question' through colonisation. Unlike military and naval expenditure, public works might in theory have been delegated to the private sector—as they were during the Restoration and the early Second Empire. However, large-scale railway construction

[185] *Le Moniteur universel*, 2 Mar. 1843 (Guizot, 1 Mar. 1843).

strained private finance, even with the development of joint-stock finance from the mid-1830s. Not until the 1850s, assisted by falling interest rates, the economic boom and ministers' encouragement, did the private sector mobilise sufficient resources to reduce significantly the need for public money. In the meantime, the state supported private investment. The government guaranteed railway companies in 1840 and in the 1850s, while the 1842 railway law postulated a system of partnerships between public and private finance.

State expenditure on railways, however, relied on loans, which proved controversial, particularly during the financial crisis of 1847. Many deputies were landowners and, while appreciating the benefits of railway construction, they were wary of gifting public money to financiers. The 1842 law, the symbol of the state's expansion, was criticised; the loans it entailed were attacked as fiscally irresponsible, and this discourse gained greater influence in 1847 and after the 1848 revolution. Thus, the Bonapartists oversaw a series of sharp cuts in military, naval and public works spending, and the private sector assumed a greater role in financing the latter. The growing pressure for retrenchment in 1847–48 emulated the hopes raised by the 1830 revolution for cheaper government. After 1848, the Bonapartists did more to fulfil such hopes than the Orleanists had after 1830. Not until the 1860s, when an economic slowdown hindered the private sector's capacity to undertake public works, did the Second Empire revive the Orleanist state's policy of expenditure on public works. Indeed, despite his reputation for fiscal probity, Fould reluctantly presided over the continued growth of government spending in the 1860s.

The Orleanists, therefore, initiated a lasting expansion of the French state; the contraction that followed the 1848 revolution was only temporary. Historians have generally underappreciated the significance of the July Monarchy in this regard, emphasising the regime's supposed tendency towards *laissez-faire*. While the economic interventionism of the Second Empire and Third Republic may have appeared more dramatic and, certainly in the case of the latter, occurred on a greater scale, the surge in public works spending under the July Monarchy without doubt initiated a new phase in the state interventionism that has been a defining feature of French economic history.

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